

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES PRIORITY

C O N F I D E N T I A L STATE 175397

EXDIS

E.O. 11652: GDS

TAGS: EFIN, PFOR, AR

SUBJECT: FOREIGN MINISTER VIGNES' REQUEST FOR USG SUPPORT
IN OBTAINING LOANS

REF: (A) B.A. 4695; B) B.A. 4783; C) B.A. 4834

FROM ASSISTANT SECRETARY ROGERS TO AMBASSADOR HILL

1. WE HAVE CAREFULLY CONSIDERED FOREIGN MINISTER VIGNES' REQUEST THAT THE USG PRESSURE U.S. PRIVATE BANKERS WITH RESPECT TO GOA'S EFFORTS TO OBTAIN LOANS. I SHARE THE VIEW YOU EXPRESSED IN REF. (C) THAT THIS IS NOT AN APPROPRIATE TIME FOR US TO MAKE AN ALL-OUT EFFORT WITH THE U.S. BANKS.

2. IN THIS SITUATION, I BELIEVE YOU SHOULD INFORM VIGNES THAT GOA'S ABILITY TO ATTRACT LOANS WILL DEPEND PRIMARILY ON THE KIND OF COMPREHENSIVE AND SUSTAINABLE ECONOMIC
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PROGRAM IT IS ABLE TO PUT TOGETHER. ASKING THE GOA TO PRO-

VIDE ADDITIONAL INFORMATION UPON WHICH A FURTHER USG APPROACH TO THE BANKS MIGHT BE BASED IMPLIES THAT WE WILL MAKE THE APPROACH WHEN THE INFORMATION REQUESTED IS MADE AVAILABLE. IN FACT, I BELIEVE THE PREPONDERANCE OF ADVANTAGE LIES IN LIMITING USG DIRECT INVOLVEMENT IN ARGENTINA'S DEALINGS WITH THE PRIVATE BANKS, EVEN IF THE PRESIDENCY PASSES TO SENATOR LUDER. IT WILL REQUIRE MORE THAN THAT

TRANSITION TO PERSUADE OBSERVERS THAT THERE IS A BASIS FOR POLITICAL CONSENSUS AND FOR CONTINUITY OF SANE, AND DIFFICULT, ECONOMIC POLICIES. QUITE POSSIBLY, THE IMF WILL EVENTUALLY HAVE TO BE CALLED IN, DESPITE THE POLITICAL RISKS -- WHICH COULD BE MINIMIZED IF THE ACTION WERE TAKEN EARLY AND LAID TO PREVIOUS MISMANAGEMENT. IN THE ABSENCE OF SOLID EVIDENCE OF FUNDAMENTAL CHANGES, THE BANKERS WOULD PROBABLY NOT COMPLY WITH, AND MIGHT WELL RESENT, PRESSURE FROM US TO RISK THEIR MONEY IN AN UNSTABLE SITUATION. THE BANKS THEMSELVES HAVE IMPORTANT LONG-TERM INTERESTS IN ARGENTINA. I UNDERSTAND THEY ARE DISPOSED TO MOVE AHEAD WITH THE LOANS WITHOUT PRODDING FROM THE DEPARTMENT WHEN STABILITY RETURNS AND A SOUND ECONOMIC PROGRAM IS IMPLEMENTED.

3. ACCORDINGLY, UNLESS YOU PERCEIVE AN OVERRIDING OBJECTION YOU SHOULD REMIND VIGNES, WHEN NEXT HE RAISES THE SUBJECT, THAT WE HAVE ALREADY PROVIDED MORAL SUPPORT FOR ARGENTINE LOAN REQUESTS ALONG THE LINES HE AND THE SECRETARY DISCUSSED IN MAY. EACH OF THE U.S. BANKS INVOLVED IS FULLY AWARE OF THE DEPARTMENT'S SYMPATHETIC ATTITUDE TOWARD ARGENTINA. YOU SHOULD EXPLAIN, HOWEVER, THAT WE ARE NOT IN A POSITION TO PRESSURE THE PRIVATE BANKS TO INCREASE THEIR EXPOSURE IN ARGENTINA OR ELSEWHERE. YOU COULD ADD THAT IT IS CLEAR FROM OUR SOUNDINGS THAT THE BANKERS' CONFIDENCE WOULD BE RESTORED WERE ARGENTINA TO IMPLEMENT A SOUND ECONOMIC PROGRAM. FYI, AMBASSADOR VAZQUEZ TOLD ME JULY 23 THAT HE HAD NOT CONTACTED IMF WITH RESPECT TO THIS PROBLEM. KISSINGER

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